

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Ishpeming Area Joint Wastewater Treatment	County Marquette
Fiscal Year End 12/31/06	Opinion Date 3/16/07	Date Audit Report Submitted to State 5-16-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

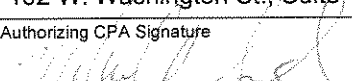
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman, & Company, PLC		Telephone Number 906-225-1166	
Street Address 102 W. Washington St., Suite 109		City Marquette	State MI
		Zip 49855	
Authorizing CPA Signature 	Printed Name Michael Alan Greutz		License Number 1101027988

**Ishpeming Area Joint Wastewater
Treatment Facility
Financial Statements
For the Year Ended December 31, 2006**

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Authority Board
Ishpeming Area Joint Wastewater Treatment Facility
700 Sunset Drive
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the business-type activities and major fund of the Ishpeming Area Joint Wastewater Treatment Facility, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ishpeming Area Joint Wastewater Treatment Facility's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and major fund of the Ishpeming Area Joint Wastewater Treatment Facility as of December 31, 2006, and the changes in financial position and cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007 on our consideration of the Ishpeming Area Joint Wastewater Treatment Facility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Authority Board
Ishpeming Area Joint Wastewater Treatment Facility

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ishpeming Area Joint Wastewater Treatment Facility's basic financial statements. The Schedule of Changes in Retained Earnings and Contributed Capital and Schedule of Expenditures – Budget and Actual are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Changes in Retained Earnings and Contributed Capital and Schedule of Expenditures – Budget and Actual have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 16, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Ishpeming Area Joint Wastewater Treatment Facility's financial performance provides an overview of the Facility's financial activities for the year ended December 31, 2006. Please read it in conjunction with the financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- Net assets for the Facility as a whole were reported at \$6,701,136. Nets assets are comprised of 100% business-type activities.
- During the year, the Facility's total expenses were \$841,584, while revenues from all sources totaled \$745,505 resulting in a decrease in net assets of \$96,079.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets (on pages 8 and 9) provide information about the activities of the Facility as a whole and present a longer-term view of the Facility finances.

Reporting the Facility as a Whole

One of the most important questions asked about the Facility's finances is "Is the Facility as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Facility as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Facility's *net assets* and changes in them. You can think of the Facility's net assets - the difference between assets and liabilities - as one way to measure the Facility's financial health, or *financial position*. Over time, *increases or decreases* in the Facility's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Facility's operating base and the condition of the Facility's capital assets, to assess the *overall financial health* of the Facility.

In the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, we report all of the Facility's activities as business-type activities because the Facility charges a fee to participating municipalities to cover the cost of services it provides.

Table I provides a summary of the Facility's net assets as of December 31, 2006 and 2005.

Table 1 Net Assets		
	2006	2005
Current and other assets	\$2,008,252	\$1,992,576
Capital assets, net	4,857,435	4,958,995
Total Assets	6,865,687	6,951,571

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	<u>2006</u>	<u>2005</u>
Current liabilities	\$99,893	\$91,642
Non-current liabilities	<u>64,658</u>	<u>62,714</u>
Total Liabilities	<u>164,551</u>	<u>154,356</u>
Net Assets:		
Invested in capital assets	4,857,435	4,958,995
Restricted	1,843,701	1,804,069
Unrestricted	<u>-</u>	<u>34,151</u>
Total Net Assets	<u>\$6,701,136</u>	<u>\$6,797,215</u>

Net assets of the Facility's business-type activities stood at \$6,701,136. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities stood at \$0.

The \$0 in unrestricted net assets represents the accumulated results of all past years' operations. The results of this year's operations for the Facility as a whole are reported in the Statement of Revenues, Expenses and Changes in Net Assets (see Table 2), which shows the changes in net assets for fiscal year 2006 and 2005.

Table 2
Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Operating revenues:		
City and Township service revenues	\$553,582	\$552,929
City and Township capital revenues	61,087	96,027
Other operating revenues	<u>60,256</u>	<u>60,535</u>
Total Operating Revenues	<u>674,925</u>	<u>709,491</u>
Operating expenses:		
Interlocal Board	3,265	3,344
Operations	539,784	539,039
Depreciation	<u>298,535</u>	<u>322,642</u>
Total Operating Expenses	<u>841,584</u>	<u>865,025</u>
Income (loss) from operations	<u>(166,659)</u>	<u>(155,534)</u>
Non-operating Revenues (Expenses):		
Interest income	73,415	58,140
Gain (loss) on disposal of assets	<u>(2,835)</u>	<u>5,916</u>
Total Non-operating Revenues (Expenses)	<u>70,580</u>	<u>64,056</u>
Increase (decrease) in net assets	<u>(96,079)</u>	<u>(91,478)</u>
Net assets, beginning	<u>6,797,215</u>	<u>6,888,693</u>
Net Assets, Ending	<u>\$6,701,136</u>	<u>\$6,797,215</u>

The Facility's total revenues were \$745,505. The total cost of all programs and services was \$841,584, leaving a decrease in net assets of \$96,079 as a result of fiscal year 2006 operations.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)(Continued)

The net loss for the current year of \$96,079 is the result of \$(198,387) in depreciation expense that is not recovered from City and Township revenues (the assets were paid by grants when the facility was built) combined with \$(2,595) in operation and maintenance expenses that were paid from restricted capital improvement monies and not current year revenues. Conversely, there were \$61,087 in revenues from City and Township capital charges, \$70,333 interest and \$7,606 revenue for Capital and Sinking Funding, \$(34,151) relating to zeroing out unrestricted retained earnings and \$28 in miscellaneous items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006, the Facility had \$4,857,435 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets

	2006	2005
Buildings	\$7,905,932	\$7,905,932
Equipment and furnishings	1,852,131	1,807,626
Vehicles	170,787	170,787
	9,928,850	9,884,345
Accumulated depreciation	(5,071,415)	(4,925,350)
Totals	\$4,857,435	\$4,958,995

The Facility purchased \$199,810 in computers, pumps and facility upgrades during the fiscal year. The Facility recorded \$298,535 in depreciation expense for the year, and disposed of equipment with a net book value of \$2,835.

Debt

The Facility has no outstanding debt at yearend.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for the year ending December 31, 2007, there appears to be no anticipated changes in operations of funding concerns.

CONTACTING THE FACILITY FINANCIAL MANAGEMENT

This financial report is designated to provide our taxpayers, investors and creditors with a general overview of the Facility's finances and to show the Facility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Facility Director at Ishpeming Area Joint Wastewater Treatment Facility, 700 Sunset Drive, Ishpeming, Michigan 49849.

Ishpeming Area Joint Wastewater Treatment Facility
Statement of Net Assets
December 31, 2006

ASSETS

Current assets:

Cash and equivalents	\$ 32,105
Cash and equivalents - restricted	630,217
Investments - restricted	1,278,107
Accounts receivable	39,924
Inventory	10,569
Prepaid expense	<u>17,330</u>
Total current assets	<u>2,008,252</u>

Noncurrent assets

Capital assets - net	<u>4,857,435</u>
Total noncurrent assets	<u>4,857,435</u>

TOTAL ASSETS

6,865,687

LIABILITIES

Current liabilities:

Accounts payable	14,775
Accrued payroll	12,384
Deferred revenue - City of Ishpeming	49,109
Deferred revenue - Township of Ishpeming	<u>23,625</u>
Total current liabilities	<u>99,893</u>

Noncurrent liabilities:

Compensated absences	<u>64,658</u>
Total noncurrent liabilities	<u>64,658</u>

TOTAL LIABILITIES

164,551

NET ASSETS

Invested in capital assets	4,857,435
Restricted for sick leave liability	
City of Ishpeming	1,842
Township of Ishpeming	907
Restricted for capital improvement:	
City of Ishpeming	109,929
Township of Ishpeming	54,144
Restricted for equipment replacement:	
City of Ishpeming	1,123,509
Township of Ishpeming	<u>553,370</u>
TOTAL NET ASSETS	<u>\$ 6,701,136</u>

The Notes to the Financial Statements are an integral part of this statement.

Ishpeming Area Joint Wastewater Treatment Facility
Statement of Revenues, Expenses and Changes in Net Assets
For the year ended December 31, 2006

OPERATING REVENUE:

Charges for services - City of Ishpeming	\$ 376,783
Charges for services - Township of Ishpeming	176,799
Charges for capital - City of Ishpeming	42,142
Charges for capital - Township of Ishpeming	18,945
Leachate charges	11,614
Other charges	44,457
Reimbursements	<u>4,185</u>
Total operating revenues	<u>674,925</u>

OPERATING EXPENSES:

Interlocal board	3,265
Salaries	190,064
Fringe benefits	129,358
Process chemicals	26,246
Maintenance supplies	7,608
Laboratory	7,312
Professional fees	24,426
Copper testing	40
Vehicles	5,481
Utilities	106,565
Equipment rentals	953
Professional development	1,052
Other general expenses	35,502
Safety and health	5,177
Depreciation expense	<u>298,535</u>
Total operating expenses	<u>841,584</u>

OPERATING INCOME (LOSS)	<u>(166,659)</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest income	73,415
Gain (Loss) on disposal of assets	<u>(2,835)</u>

TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>70,580</u>
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CHANGE IN NET ASSETS	(96,079)
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TOTAL NET ASSETS - BEGINNING OF YEAR	<u>6,797,215</u>
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TOTAL NET ASSETS - END OF YEAR	<u>\$ 6,701,136</u>
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The Notes to the Financial Statements are an integral part of this statement.

Ishpeming Area Joint Wastewater Treatment Facility
Statement of Cash Flows
For the year ended December 31, 2006

Cash flows from operating activities:

Collections from customers	\$ 649,162
Payments to employees and related items	(319,597)
Payments to vendors	<u>(216,162)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 113,403

Cash flows from capital & related financing activities:

Purchase of equipment	<u>(199,807)</u>
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T CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES (199,807)

Cash flows from investing activities:

(Increase) in restricted cash and cash equivalents	44,433
Decrease in restricted investments	(86,034)
Interest income	<u>73,415</u>

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES 31,814

NET INCREASE (DECREASE) IN CASH (54,590)

Cash, beginning of year 86,695

CASH, END OF YEAR \$ 32,105

**RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED
BY OPERATING ACTIVITIES:**

Net operating loss	\$ (166,659)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	298,535
(Increase) decrease in accounts receivable	(35,898)
(Increase) decrease in inventory	7,213
(Increase) decrease in prepaid expense	18
Increase (decrease) in accounts payable	(3,031)
Increase (decrease) in accrued payroll	1,146
Increase (decrease) in deferred revenue	10,135
Increase (decrease) in accrued sick leave	<u>1,944</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 113,403

The Notes to the Financial Statements are an integral part of this statement.

ISHPEMING AREA JOINT WASTEWATER TREATMENT FACILITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE A – DESCRIPTION OF THE REPORTING ENTITY:

Organization

The Ishpeming Area Wastewater Treatment System's 1984 contract was entered into during 1984, between the City of Ishpeming (City), the Township of Ishpeming (Township), the County of Marquette, and the Ishpeming Area Joint Wastewater Treatment Board. The contract called for the construction of a wastewater treatment facility. The facility was completed and became operational in 1986. The Board consists of five members. One member is appointed by the Marquette County Health Department. Each member serves a three year term. The Director is hired by the Board. The Board provides wastewater treatment services to the City of Ishpeming and the Township of Ishpeming. The accompanying financial statements include only the Ishpeming Area Joint Wastewater Treatment Facility and do not include any other governmental agencies or departments.

Interlocal Agreement

The City of Ishpeming and the Township of Ishpeming entered into an agreement during 1981, for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board. The Board is to design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed to by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the Wastewater Treatment Facility, but shall instead be reimbursed by contract payments from the City and Township. The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties, and the like from their respective residents and users of the system.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Ishpeming Area Joint Wastewater Treatment Facility have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for State and Local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Ishpeming Area Joint Wastewater Treatment Facility are described below.

(1) Fund Accounting – Ishpeming Area Joint Wastewater Treatment Facility is a distinct entity and, accordingly, consists of a separate set of self-balancing accounts comprised of the Facility's assets, liabilities, net assets, revenues and expense accounts. The Ishpeming Area Joint Wastewater Treatment Facility is defined under generally accepted terminology as a proprietary enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises with the intent of the governing body being that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or

other purposes.

(2) Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned and expenses are recognized when incurred.

Special purpose government financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. For this purpose, the governmental unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

(3) Mission Statement and Nonoperating Revenues and Expenses – The Facility's primary mission is to provide wastewater treatment services through its facility. Only those activities directly associated with the furtherance of this purpose are considered to be operating activities.

Other activities that result in revenues or expenses unrelated to the Facility's primary mission are considered to be nonoperating. Nonoperating revenues and expenses include property taxes, county appropriations, maintenance of effort, private contributions, rent, proportionate share reimbursement, and other revenue.

Cash and Equivalents

For the purposes of the statement of cash flows, the Facility considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments

Investments are stated at fair market value.

Accounts Receivable

Accounts receivable consists primarily of amounts due from other governmental units that pay their respective bills on a monthly basis. Therefore, no allowance for doubtful accounts has been established.

Inventory

Inventories of operating supplies are stated at the lower of cost or market, determined by the first-in, first-out method of valuation.

(4) Land, Buildings, and Equipment – Land, buildings, and equipment (capital assets) relating to the operations of the Facility are recorded at cost and accounted for in the Ishpeming Area Joint Wastewater Treatment Facility Fund. Depreciation on such capital assets is charged as an expense against the operations of the Facility using straight-line depreciation. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives ranging from 3 to 40 years.

(5) Board-Designated Assets – Certain investments of the Unrestricted Fund have been internally designated by the Board for the funding of plant replacement, expansion and other specified projects.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(6) Use of Estimates – The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government from the Statement of Net Assets:

	<u>Primary Government</u>
Unrestricted:	
Cash and cash equivalents	\$32,105
Investments	-
Restricted:	
Cash and cash equivalents	630,217
Investments	1,278,107
TOTALS	<u>\$1,940,429</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Facility's deposits may not be returned to it. State law does not require and the Facility does not have a deposit policy for custodial credit risk. The carrying amounts of the Facility's deposits with financial institutions were \$662,322 and the bank balance was \$662,615. The bank balance is categorized as follows:

Amount insured by the FDIC with deposits held by the Facility in its name	\$662,615
Amount uninsured by the FDIC or uncollateralized	-
	<u>\$662,615</u>

Investments

As of December 31, 2006, the Facility had the following investments.

Investment Type	Fair Value	Investment Maturities (In years)			
		Less than 1	1-5	6-10	More than 10
PRIMARY GOVERNMENT:					
Restricted Investments:					
Financing Corp CPN FICO Strips	\$345,651	\$56,655	\$288,996	\$-	\$-
Federal National Mortgage Association Medium Term Note	634,998	-	107,425	71,072	456,501
United State Treasury Bond Stripped Interest Payment	90,155	-	90,155	-	-
Federal Home Loan Banks Consolidated Bond	207,303	-	-	82,988	124,315
TOTAL INVESTMENTS	<u>\$1,278,107</u>	<u>\$56,655</u>	<u>\$486,576</u>	<u>\$154,060</u>	<u>\$580,816</u>

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Facility's investments. The Facility does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the Facility to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Facility has an investment policy that would further limit its investment choices; which limits the Facility from investing in commercial paper. Ratings are not required for the Facility's investment in U.S. Government Agencies or equity-type funds. The Facility's investments are in accordance with statutory authority.

Concentration of Credit Risk

The Facility places no limit on the amount the Facility may invest in any one issuer. There were no investments subject to concentration of credit risk disclosure.

NOTE D – CAPITAL ASSETS:

A summary of the capital assets for the Facility is as follows:

	Balance January 1, 2006	Additions	Disposals	Balance December 31, 2006
Wastewater Plant	\$7,905,932	\$-	\$-	\$7,905,932
Machinery and Equipment	1,807,626	199,807	(155,302)	1,852,131
Vehicles	170,787	-	-	170,787
Total	9,884,345	199,807	(155,302)	9,928,850
Less accumulated depreciation	(4,925,350)	(298,532)	(152,467)	(5,071,415)
NET CAPITAL ASSETS	<u>\$4,958,995</u>	<u>\$(98,725)</u>	<u>\$(2,835)</u>	<u>\$4,857,435</u>

NOTE E – RESTRICTED ASSETS AND NET ASSETS:

Certain cash and equivalents and investments have been restricted for future equipment replacements, capital improvements and sick leave liability. Similarly, a portion of net assets has been restricted for these items. This indicates that a portion of net assets has been legally segregated for that specific purpose.

NOTE F – DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

During the year, the Facility bills the City and Township a monthly amount based on budgeted charges for services. At year end, actual charges for services are calculated for each municipality and an adjustment is made to revenue. The difference between calculated revenues and the amounts billed to the municipalities are recorded as deferred revenue. At December 31, 2006, the Board has recorded deferred revenue of \$49,109 and \$23,625 for the City and Township, respectively.

NOTE G – ACCRUED SICK LEAVE:

The Facility has a policy of allowing full-time employees to accumulate sick leave benefits. Employees may accumulate a maximum of one hundred days. One sick leave day is allowed for each accumulated month of service. Accrued sick leave payable as of December 31, 2006 was \$64,658 and was funded with \$67,407 of investments that are segregated for the payment of sick leave benefits.

<u>Balance</u> <u>12/31/2005</u>	<u>Change</u>	<u>Balance</u> <u>12/31/2006</u>
<u>\$62,714</u>	<u>\$1,944</u>	<u>\$64,658</u>

NOTE H – DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2005).

Plan Description

The Facility contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative Agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917.

The qualified employees of the Facility are eligible to participate in the System. Benefits vest after ten years of service. Facility employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.50 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and Facility contracts.

Funding Policy

The Facility is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

Annual Pension Cost

For the year ended December 31, 2006, the Facility's required annual pension cost of \$21,180. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period of 30 years.

Three year trend information as of December 31st follows:

	2003	2004	2005
Annual Pension Cost (APC)	\$24,154	\$26,858	\$28,977
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	363,412	408,103	460,490
Actuarial Accrued Liability (AAL)	459,702	497,056	561,395
Unfunded AAL (UAAL)	96,290	88,953	100,905
Funded Ratio	79%	82%	82%
Covered Payroll	188,701	201,563	211,971
UAAL as a Percentage of Covered Payroll	51%	44%	48%

NOTE I – RISK MANAGEMENT:

The Facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Facility maintains insurance coverage through the Hannula Insurance Agency which covers each of those risks of loss. Management believes such Coverage is sufficient to preclude any significant uninsured losses to the Facility. Settled claims have not exceeded this coverage in any of the past three years.

NOTE J – DEFERRED COMPENSATION PLAN:

The Facility offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all Facility employees and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Facility's general creditors. Therefore, the Plan is not presented in these financial statements.

OTHER FINANCIAL INFORMATION

Ishpeming Area Joint Wastewater Treatment Facility
Schedule of Changes in Retained Earnings and Contributed Capital
For the year ended December 31, 2006

	Investment In Capital Assets Federal	Investment In Capital Assets State	Investment In Capital Assets City	Investment In Capital Assets Township	Restricted Sick Leave Reserve City	Restricted Sick Leave Reserve Township	Restricted Capital Improvement City	Restricted Capital Improvement Township	Restricted Equipment Replacement City	Restricted Equipment Replacement Township	Unrestricted City	Unrestricted Township	Totals
Balance - Beginning of Year	\$ 2,929,542	\$ 193,441	\$ 1,230,128	\$ 605,884	\$ 1,607	\$ 792	\$ 68,127	\$ 33,555	\$ 1,138,992	\$ 560,996	\$ 22,880	\$ 11,271	\$6,797,215
Net Income (Loss)	-	-	-	-	-	-	-	-	-	-	(64,371)	(31,708)	(96,079)
Depreciation	(156,251)	(10,318)	(88,416)	(43,550)	-	-	-	-	-	-	200,018	98,517	-
Equipment Purchases	-	-	2,203	1,085	-	-	(2,203)	(1,085)	-	-	-	-	-
Capital Improvement	-	-	131,668	64,851	-	-	-	-	(131,668)	(64,851)	-	-	-
Equipment Replacement	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-
Book Gain (Loss) on Asset Disposal	-	-	(1,899)	(936)	-	-	-	-	-	-	1,899	936	-
Gross Proceeds from the Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation on Equipment and Vehicles	-	-	-	-	-	-	-	-	67,098	33,048	(67,098)	(33,048)	-
Interest on Restricted Investments	-	-	-	-	1,537	757	-	-	-	-	(1,537)	(757)	-
Sick Leave Reserve	-	-	-	-	-	-	1,081	532	-	-	(1,081)	(532)	-
Capital Improvement	-	-	-	-	-	-	-	-	44,506	21,921	(44,506)	(21,921)	-
Equipment Replacement	-	-	-	-	-	-	-	-	50	25	(50)	(25)	-
Investment Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Leachate/Septic Revenue	-	-	-	-	-	-	3,734	1,839	-	-	(3,734)	(1,839)	-
Capital Improvement	-	-	-	-	-	-	-	-	1,379	679	(1,379)	(679)	-
Equipment Replacement	-	-	-	-	-	-	-	-	-	-	(40,929)	(20,159)	-
City and Township Capital Charges	-	-	-	-	-	-	40,929	20,159	-	-	1,739	856	-
O & M Expense Paid From Capital	-	-	-	-	-	-	(1,739)	(856)	-	-	-	-	-
Change in Compensated Absences	-	-	-	-	(1,302)	(642)	-	-	-	-	1,302	642	-
Over (Under) funding of Investments	-	-	-	3	-	-	-	-	3,152	1,552	(3,152)	(1,554)	-
Net Change	(156,251)	(10,318)	43,556	21,453	235	115	41,802	20,589	(15,483)	(7,626)	(22,880)	(11,271)	(96,079)
Balance - End of Year	\$ 2,773,291	\$ 183,123	\$ 1,273,684	\$ 627,337	\$ 1,842	\$ 907	\$ 108,929	\$ 54,144	\$ 1,123,509	\$ 553,370	\$ 0	\$ (0)	\$6,701,136

Ishpeming Area Joint Wastewater Treatment Facility
Schedule of Expenses - Budget and Actual
For the year ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
INTERLOCAL BOARD:			
Board compensation	\$ 2,600	\$ 2,520	\$ 80
FICA	300	193	107
Mileage and expense	<u>700</u>	<u>552</u>	<u>148</u>
Total interlocal board	<u>3,600</u>	<u>3,265</u>	<u>335</u>
SALARIES:			
Preliminary treatment	5,575	5,572	3
Grit removal	1,000	322	678
Secondary treatment	600	77	523
Chlorination/dechlorination	600	74	526
Sludge handling	700	133	567
Belt press	13,100	13,047	53
Sludge hauling	4,000	3,181	819
Laboratory ww	36,000	35,838	162
Laboratory water	500	253	247
Grounds maintenance	6,305	6,252	53
Buildings maintenance	15,320	15,302	18
Equipment maintenance	8,000	7,165	835
Vehicle maintenance	1,000	887	113
Plant operations	50,200	50,166	34
Administration	42,700	42,681	19
Training	1,700	1,353	347
Safety training	1,000	91	909
Weekend operator	<u>9,200</u>	<u>7,670</u>	<u>1,530</u>
Total salaries	<u>197,500</u>	<u>190,064</u>	<u>7,436</u>
FRINGE BENEFITS:			
Retirement	22,975	21,234	1,741
Health insurance	56,700	54,832	1,868
FICA	17,025	17,023	2
Vacation	17,100	17,056	44
Sick leave	9,800	9,799	1
Holidays	8,000	7,462	538
Personal leave days	<u>2,400</u>	<u>1,952</u>	<u>448</u>
Total fringe benefits	<u>134,000</u>	<u>129,358</u>	<u>4,642</u>
PROCESS CHEMICALS:			
Ferrous chloride	8,400	8,352	48
Polymer - press	9,000	8,961	39
Chlorine	7,000	6,380	620
Sulfur dioxide	2,400	2,303	97

Ishpeming Area Joint Wastewater Treatment Facility
Schedule of Expenses - Budget and Actual
For the year ended December 31, 2006

	Budget	Actual	Variance
PROCESS CHEMICALS, continued			
Odor control	\$ 300	\$ 250	\$ 50
Total process chemicals	<u>27,100</u>	<u>26,246</u>	<u>854</u>
MAINTENANCE SUPPLIES:			
Influent pumps raw	190	-	190
Comminuter	400	-	400
Grit equipment (removal)	100	83	17
Oxidation ditches	100	-	100
Clarifiers	200	-	200
Aerobic digestors	100	-	100
DAF thickeners	100	-	100
RAS pumps	100	-	100
WAS pumps (sludge)	1,000	154	846
Recycle pumps	300	107	193
Chemical feed equipment (press)	200	-	200
Chemical feed equipment (CL2)	400	-	400
Chemical feed equipment (dechlor)	400	-	400
Chemical feed equipment (p removal)	100	-	100
Belt presses	1,110	1,107	3
Laboratory and samplers	300	145	155
Buildings	1,490	1,081	409
Grounds	2,500	1,719	781
General workshop and tools	1,000	694	306
Metering stations	500	-	500
Miscellaneous	100	-	100
Generator	900	849	51
General maintenance	1,000	924	76
Boilers	800	745	55
Mixers/aerators	100	-	100
Blowers	300	-	300
Total maintenance supplies	<u>13,790</u>	<u>7,608</u>	<u>6,182</u>
LABORATORY:			
WW reagents	2,600	2,131	469
WW glassware	1,000	354	646
WW equipment	1,000	975	25
WW disposable equipment	2,000	1,509	491
WW misc supplies	1,000	-	1,000
Water equipment	500	-	500
Water reagents	2,500	1,584	916
WW outside testing soil/sludge	800	759	41
Total laboratory	<u>11,400</u>	<u>7,312</u>	<u>4,088</u>
PROFESSIONAL FEES:			
Engineering fees	500	3,094	(2,594)
Certified public accountant	550	401	149
Grit disposal fees	5,500	5,500	-
Certified accountant	3,200	3,200	-

Ishpeming Area Joint Wastewater Treatment Facility
Schedule of Expenses - Budget and Actual
For the year ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
PROFESSIONAL FEES, continued			
Attorney fees	\$ 600	\$ 561	\$ 39
Electrical	1,500	855	645
Sludge hauling	500	259	241
Lead	850	739	111
Mercury	2,000	958	1,042
Other metals	8,900	8,859	41
Total professional fees	<u>24,100</u>	<u>24,426</u>	<u>(326)</u>
COPPER TESTING	<u>300</u>	<u>40</u>	<u>260</u>
VEHICLES:			
GMC fuel	700	648	52
GMC maintenance	325	316	9
Tanker fuel	1,900	1,884	16
Tanker maintenance	335	335	-
Front end loader fuel	200	167	33
Front end loader maintenance	550	546	4
Vehicles misc	150	88	62
4x4 fuel	700	655	45
4x4 maintenance	850	842	8
Total vehicles	<u>5,710</u>	<u>5,481</u>	<u>229</u>
UTILITIES:			
Telephone	1,300	1,012	288
Electricity (plant)	94,190	91,166	3,024
Electricity (metering station)	700	416	284
Natural gas	17,480	12,843	4,637
Water/landfill/sewer	1,130	1,128	2
Total utilities	<u>114,800</u>	<u>106,565</u>	<u>8,235</u>
EQUIPMENT RENTAL:			
Other (pager)	1,000	953	47
Total equipment rental	<u>1,000</u>	<u>953</u>	<u>47</u>
PROFESSIONAL DEVELOPMENT:			
Memberships	510	510	-
Conferences	790	542	248
Total professional development	<u>1,300</u>	<u>1,052</u>	<u>248</u>
OTHER GENERAL EXPENSES:			
Office supplies	3,375	3,374	1
Computer/software	2,500	2,150	350
Insurance	29,325	26,016	3,309
Worker's compensation	3,900	3,889	11

Ishpeming Area Joint Wastewater Treatment Facility
Schedule of Expenses - Budget and Actual
For the year ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER GENERAL EXPENSES, continued			
Advertising	\$ 100	\$ 73	\$ 27
Total other general expenses	<u>39,200</u>	<u>35,502</u>	<u>3,698</u>
SAFETY AND HEALTH:			
Safety equipment	4,300	4,167	133
Employees physicals	900	875	25
Apparel	<u>700</u>	<u>135</u>	<u>565</u>
Total safety and health	<u>5,900</u>	<u>5,177</u>	<u>723</u>
TOTAL OPERATING EXPENSES, net of depreciation	<u>\$ 579,700</u>	<u>\$ 543,049</u>	<u>36,651</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Authority Board
Ishpeming Area Joint Wastewater Treatment Facility
700 Sunset Drive
Ishpeming, Michigan 49849

We have audited the financial statements of the business-type activities and major fund of the Ishpeming Area Joint Wastewater Treatment Facility as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ishpeming Area Joint Wastewater Treatment Facility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ishpeming Area Joint Wastewater Treatment Facility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ishpeming Area Joint Wastewater Treatment Facility's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ishpeming Area Joint Wastewater Treatment Facility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Ishpeming Area Joint Wastewater Treatment Facility's financial statements that is more than inconsequential will not be prevented or detected by the Ishpeming Area Joint Wastewater Treatment Facility's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Ishpeming Area Joint Wastewater Treatment Facility's internal control.

Authority Board

Ishpeming Area Joint Wastewater Treatment Facility

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ishpeming Area Joint Wastewater Treatment Facility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the audit committee, the Authority Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 16, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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WISCONSIN
GREEN BAY
MILWAUKEE

March 16, 2007

Authority Board
Ishpeming Area Joint Wastewater Treatment Facility
700 Sunset Drive
Ishpeming, Michigan 49849

We have audited the financial statements of the Ishpeming Area Joint Wastewater Treatment Facility for the year ended December 31, 2006, and has issued our report thereon dated March 17, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Ishpeming Area Joint Wastewater Treatment Facility. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Ishpeming Area Joint Wastewater Treatment Facility's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Ishpeming Area Joint Wastewater Treatment Facility are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Ishpeming Area Joint Wastewater Treatment Facility during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ishpeming Area Joint Wastewater Treatment Facility financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ishpeming Area Joint Wastewater Treatment Facility, either individually or in the aggregate, indicate matters that could have a significant effect on the Ishpeming Area Joint Wastewater Treatment Facility's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ishpeming Area Joint Wastewater Treatment Facility's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Ishpeming Area Joint Wastewater Treatment Facility's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC

Certified Public Accountants